

**FAQ on Prize linked Savings Programs
from the Indiana Department of Financial Institutions
January 1, 2016**

What is a prize linked savings program?

A prize linked savings account offers participating members an opportunity to win prizes if they make specified contributions to a qualified savings account or financial program.

Does the Department of Financial Institutions ("Department") have to approve all savings linked programs offered in Indiana?

No, the Department is only required to approve prize linked savings programs offered by state chartered credit unions.

Federal credit unions and national and state-chartered banks and savings association which offer and conduct a program "in the same manner" as one approved for state chartered credit unions qualify for exemptions from (1) charity gaming (IC 4-32.2-1-1); (2) promotional gifts and contests (IC 24-8-1-1); and (3) criminal gambling (IC 35-45-5-13). Therefore, federal credit unions and national and state-chartered banks and savings associations can conduct programs "in the same manner" as those approved for state chartered credit unions; however, they are not required to obtain approval from the Department prior to offering these programs.

Why should I offer a prize linked saving programs to my members?

According to testimony provided before the Indiana House Financial Institutions Committee and the Senate Insurance and Financial Institutions Committee these programs are being offered in several states around the country as a way to entice people to save money. We suggest you analyze your membership base and the other programs that you offer as well as other products in the marketplace to determine if a prize linked savings program would meet the needs of your current members or individuals you would like to become members.

Should I set up my own prize linked savings program or join an existing program?

The Prize Linked Savings Act (IC 28-1-23.2) allows a credit union to create its own plan. However, the time, expense, and effort associated with creating, implementing, and monitoring such a program could outweigh the benefits of having your own program. Before making any decision, you should consult with your counsel, accountants, and other advisers as well as your board of directors. These programs are complex and involve many issues including confidentiality, security of member information, and safeguards against fraud. As with any important transaction, thorough due diligence and careful planning are essential. The program must be approved by your board of directors.

Some programs allow me to offer a prize just to my members. Is this permissible?

Isolating all or part of a prize linked program for the benefit of only your members is permissible. Again, consult with your counsel, accountants, advisers, and board of directors.

What do I need to do with respect to the Department of Financial Institutions?

Early in the process, you should notify the Department when you start considering a prize linked savings program, and you should disclose the specific program being considered. Department staff will provide additional guidance pertaining to the approval process, when necessary. Also, if you in the future discontinue your participation in a program, please notify the Department, providing the reason(s) you quit the program. Notifications should be sent by email to mpowell@dfi.in.gov or by mail to:

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Does the Department's approval constitute an endorsement of a prize linked program?

No, the Department does not recommend or endorse any particular prize linked savings program, nor is the Department's Director responsible for reviewing the adequacy or accuracy of any such programs, including any materials provided in connection with the programs. The Director's approval is the vehicle that allows your credit union to participate in a prize linked program; however, it is your responsibility to ensure that the program is legally implemented.

Do I pay a fee to the Department to participate in a prize linked savings program?

No.

Will the Department audit my prize-linked savings program?

While the Prize Linked Saving Program Act provides the Director with broad regulatory powers, the Director currently has no plans to audit these programs as a service provider. The Director will investigate any complaints received in connection with such programs, which may result in the staff of the Department reviewing your records. IC 28-1-23.2-7(c) does require you to maintain books and records relating to the conduct of a prize linked savings program. Such records may be requested in conjunction with your safety and soundness examination.

Who can open a prize linked savings account?

IC 28-1-23.2-3 provides that an "eligible individual" is any individual credit union member in good standing who is at least 18 years old. It is our understanding that some programs also limit eligibility to residents of a state in which the principal place of business of one or more participating credit unions is located. Regardless, it is your responsibility to ensure that all participants meet eligibility requirements.

What are the minimum conditions for conducting these programs which I am required to meet?

- Under IC 28-1-23.2-7, at a minimum, the prize linked savings program you offer must allow an eligible individual to obtain one or more entries to win a specified prize and to obtain an entry for a prize linked savings program only by doing either or both of the following:
 - (A) Depositing a minimum specified amount of money in a qualified account;
 - (B) Participating in one or more qualified financial programs.

- Each entry in the prize linked savings program must have an equal chance of being drawn.
- The prize linked savings program must be approved by the DFI Director and your board of directors before it is offered to your members.
- You may not offer a program if the prize linked savings program will harm the safety and soundness of your institution or mislead eligible individuals or the public.

What disclosures am I required to provide regarding program?

At a minimum you are required to provide a disclosure in any location where entries may be submitted or in any printed materials or electronic media promoting the prize linked savings program that contains:

- A statement describing the terms and conditions of the prize linked savings program, including whether the account will automatically renew after 12 months, whether there is a grace period if the member wishes to discontinue the program, and what penalties are assessed for early termination;
- A statement that except for making a deposit in the savings account or participating in one or more qualified financial programs, no other action, and no purchase or other consideration, is necessary for an entry into the prize linked savings program;
- A statement that except for making a deposit in the savings account or participating in one or more qualified financial programs, taking any other action, or purchasing any goods or services, will not improve the odds of winning; and,
- A statement that the odds of winning are determined based on the number of entries received.

Who is responsible for any nonpublic financial information ("NPI") that is personally identifiable to our members?

- You are.
- Some programs require you to collect and report data relating to your members who participate in a prize linked savings program. Your due diligence should at a minimum include:
 - An understanding of what NPI that is personally identifiable to your members you will be collecting;
 - Who will be receiving such NPI;
 - The purposes for which the NPI will be used; and,
 - What security systems have been developed to protect the confidentiality of the NPI.

What do I do if we inadvertently open an account to an ineligible individual?

Every prize linked savings program should have a procedure to handle ineligible individuals. You should consult with your counsel, and if you are using an existing prize linked savings program, contact the administrator for instructions on how to handle this matter.